

**BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS**

**IN THE MATTER OF
BANKERS LIFE & CASUALTY COMPANY**

A.I.D. #2007- 003

CONSENT ORDER

Now on this day Bankers Life & Casualty Company ("Company" or "Bankers Life"), an Illinois domestic insurer, NAIC #61263, and Julie Benafield Bowman, Insurance Commissioner of the State of Arkansas ("Commissioner"), have reached an agreement to resolve, without resort to an adjudicatory proceeding or any admission of wrongdoing on the part of the Company, the Company's alleged failure to comply with the requirements of the Arkansas Insurance Code as set forth herein. In this regard, the Commissioner and Bankers Life hereby agree as follows:

FINDINGS OF FACT

1. The Insurance Commissioner has jurisdiction over the parties and subject matter herein.
2. Bankers Life is a foreign life and health insurance company licensed to transact business in Arkansas; the Company holds Arkansas Certificate of Authority No. 768.
3. The Arkansas Insurance Department ("Department") received thirty-nine (39) formal complaints alleging violations of the Arkansas Insurance Code by Arkansas resident producers appointed by Bankers Life regarding the sales practices and marketing of certain insurance products in Arkansas from July 2001 through October 2006 ("the complaint period").
4. During the majority of the complaint period, the Bankers Life Arkansas branch office, located in Little Rock, was managed by Aaron Young, a licensed resident producer of the State of Arkansas.
5. During the time period referenced in ¶ 3, *infra*, Bankers Life had 598 active resident producers appointed to sell Bankers Life products in the State of Arkansas.
6. The Department has not determined the merits of each individual complaint. Rather, the purpose of this Consent Order is to address and to resolve general and specific issues

concerning the supervision and sales practices of Bankers Life that pertain directly to the Company's sales offices in Arkansas and the conduct of its appointed resident producers.

7. Bankers Life neither admits nor denies any allegations or findings as described herein.

8. Nothing in this Consent Order resolves the responsibility of any appointed resident producer of Bankers Life, including any producer named specifically herein.

9. Further, this Order sets forth a mechanism – the Corrective Action Plan (“CAP”) – that addresses (and potentially eliminates) the frequency of consumer complaints filed with the Department against Bankers Life and its insurance producers in Arkansas. The CAP is attached hereto as Exhibit A and incorporated in this Consent Order as if set forth fully herein.

10. Bankers Life has allegedly failed to ensure adequate training for its appointed producers.

11. Bankers Life has allegedly failed to provide adequate supervision of its appointed producers who sell insurance on behalf of Bankers Life.

12. The Department alleges that pursuant to Ark. Code Ann. § 23-61-103, Ark. Code Ann. §§ 23-64-501 *et seq.*, Ark. Code Ann. §§ 23-66-201 *et seq.*, and Ark. Code Ann. § 23-66-306, Bankers Life is responsible for injuries to consumers resulting from the actions of its appointed producers to the extent of restitution, reimbursement of money, or payment of interest to the consumers, all of which have been or continue to be addressed separate and apart from this Order. In this regard, the Department and Bankers Life agree that the parties will continue to take separate measures, as mutually agreed upon by the Department and Bankers Life, to resolve consumer complaints and make consumers whole.

13. The Department alleges that pursuant to Ark. Code Ann. § 23-61-103, Ark. Code Ann. §§ 23-64-501 *et seq.*, Ark. Code Ann. §§ 23-66-201 *et seq.*, and Ark. Code Ann. § 23-66-306, and based upon the allegations in this Consent Order and related consumer complaints, Bankers Life is accountable and may be penalized by the Insurance Commissioner for actions by its appointed producers that violate any provision of the Arkansas Insurance Code.

THEREFORE IT is hereby agreed and ordered that:

1. As a result of the alleged collective violations of the Arkansas Insurance Code set forth in this Consent Order, Bankers Life shall remit to the Insurance Commissioner a civil penalty in the amount of \$100,000, payable to the Arkansas Insurance Department.
2. Bankers Life shall undertake the corrective and preventive actions with regard to its sales practices and oversight in Arkansas as specified in the CAP (Exhibit A). Failure to comply with the terms of the CAP and failure to provide adequate documentation and proof of compliance with the terms of the CAP may be construed and found to be a violation of this Order and subject to penalty.
3. Bankers Life understands and acknowledges that this Consent Order will constitute a public record within the meaning of relevant provisions of the Arkansas Freedom of Information Act, set forth at Ark. Code Ann. §§ 25-19-101 *et seq.*, and will be available for public inspection and copying as provided for by Arkansas law, and will be reported to the NAIC “RIRS” database.
4. In consideration of Bankers Life’s execution of and compliance with the terms of this Consent Order, the Insurance Commissioner agrees to forgo pursuing further disciplinary measures or other civil or administrative sanction against Bankers Life for the alleged violations that were the subject of the complaints relative to this Consent Order, other than those disciplinary measures agreed to herein. Should Bankers Life be found to have violated this Consent Order, it may be subject to any available legal remedy for the violation, including without limitation the imposition of additional civil penalties and the suspension and revocation of all licenses issued to Bankers Life under the Arkansas Insurance Code.
5. Nothing in this Consent Order shall affect the rights, interests, duties, or obligations of any person who is not a party to this Order.
6. The parties agree that the administrative penalty paid pursuant to this Consent Order fully releases Bankers Life as to any further administrative penalty arising out of any additional consumer complaint(s) against Bankers Life for alleged sales practice violations in the sale or replacement in Arkansas of annuities, Medicare supplement, long term care and life insurance occurring and/or alleged during the complaint period of this Consent Order. However, nothing

in this Consent Order shall affect the rights, interest, duties, or obligations of the Department in addressing, pursuant to the Arkansas Insurance Code, underlying issues of complaints that involve activity occurring after the complaint period covered by this Order, including without limitation the imposition of additional civil penalties, seeking restitution and the sanctioning of licenses issued to Bankers Life and insurance producers acting on behalf of Bankers Life.

7. This Consent Order is not subject to review or appeal. It is enforceable by an action in the Circuit Court.

8. Nothing herein shall be construed so as to prohibit the Insurance Commissioner from seeking an Order to enforce this Consent Order.

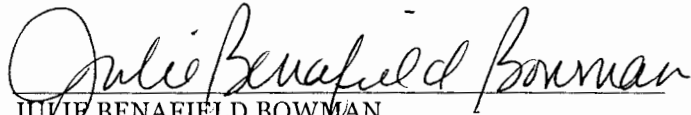
9. Nothing herein shall be construed by the Insurance Commissioner to be an admission of guilt or wrongdoing by Bankers Life.

10. Nothing herein shall be construed so as to prohibit the Insurance Commissioner from instituting further enforcement action against Bankers Life, administratively or in any court of competent jurisdiction, in the event that the Company does not comply with any term or condition set forth herein. It is an underlying premise of this Consent Order that Bankers Life has been completely forthcoming and disclosed all material information regarding the subject matter of and allegations addressed herein. Any subsequent discovery by the Department that this is not the case may subject Bankers Life to further administrative sanctions.

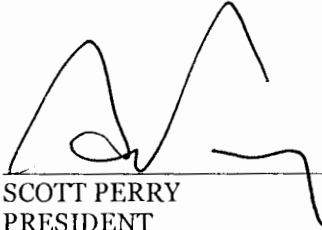
11. This Consent Order may only be modified by the written consent of all of the undersigned parties.

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IT IS SO ORDERED AND AGREED AS OF THIS 14th DAY OF SEPTEMBER, 2007.



JULIE BENAFIELD BOWMAN
INSURANCE COMMISSIONER
STATE OF ARKANSAS



SCOTT PERRY
PRESIDENT
BANKERS LIFE AND CASUALTY COMPANY

EXHIBIT A

BANKERS LIFE CORRECTIVE ACTION PLAN (“CAP”)

1. Bankers Life will conduct a comprehensive compliance training session focusing on suitability, replacement and disclosure for all insurance producers and managers in all Arkansas branch offices. This training session is scheduled to be completed by January 15, 2008. The Department may attend the training session and will be notified of its scheduling by Bankers Life. The training will focus on:

- Bankers Life insurance producers properly identifying themselves and products offered to prospective customers. (e.g., using only company approved business cards, advertising material and phone scripts).
- The proper use and completion of annuity suitability forms.
- The proper handling of policyholder complaints received by the branch offices.
- Appropriate use of Gryphon “Do Not Call” telephone requirements.

2. Bankers Life will conduct a Training Utilization Review (“TUR”), which will focus on:

- A review of the training conducted by all branch offices to ensure that training is being completed in a timely fashion and that records are maintained to identify insurance producers who have completed the required courses.
- The proper use of "fact finders" to help the insurance producer identify a customer's insurance needs.
- The use of role playing to determine if insurance producers have been trained to properly identify a customer's need and if the product being offered is suitable for a prospective customer.

The TUR will be completed one (1) month after the training session is completed.

3. Bankers Life shall ensure that within 60 days of the execution of this Consent Order, all current Arkansas producers, including branch and unit sales managers, have successfully completed the following online producer courses available on the Bankers Life Learning Network:

Generic Online Product Courses

- Life Insurance (The National Underwriter)
- Long Term Care (The National Underwriter)
- Annuity (The National Underwriter)
- Medicare (The National Underwriter)

Bankers Life Proprietary Online Courses

- Bankers' Security Builder Annuities
- Bankers' Home Health Care Products
- Bankers' Long Term Care
- Bankers' Long Term Care Comprehensive Products
- Bankers' Field Underwriting

Further, Bankers Life shall ensure that all of its producers appointed to sell products in the State of Arkansas have successfully completed the above courses prior to commencing producer activities on behalf of Bankers Life. Should any producer fail to successfully complete all of the specified training, Bankers Life shall not allow such producer to remain actively engaged in producer activities on behalf of Bankers Life until he or she successfully completes the training. Bankers Life shall document the completion of said courses.

4. All producers appointed by and managers employed by Bankers Life as of the date of this Order shall successfully complete Suitability, Replacement and Disclosure training as well as training on relationship between Bankers Life, its ultimate parent company and its affiliates, especially its affiliates that are insurance companies, facilitated by personnel from Bankers Life home office training department and the Regional Director for Bankers Life. Bankers Life shall file the curriculum for this training for approval by the Department 15 days in advance of the scheduled date for the training. The curriculum for Suitability training shall include specific training on the NAIC model annuity suitability standards.

5. Effective 60 days after the date of this Order Bankers Life shall adopt and adhere to the NAIC model annuity suitability form and all standards set forth in the NAIC model annuity suitability rule for all sales in the State of Arkansas. Such standards and forms shall be provided to the Commissioner. If at any time the Department adopts different suitability standards, Bankers Life shall take immediate steps to train its branch managers and appointed producers in the new standards.

6. As of the date of this Order, the applicable branch managers shall review and approve all suitability forms completed for sales in the State of Arkansas. Branch managers may approve such a completed form only if the applicable branch manager affirmatively determines from the available facts that the proposed transaction is suitable.

7. Within 30 days of the date of this Order, Bankers Life shall review the hiring contracting and recruiting practices of each branch sales office including advertisements, recruitment materials, and prelicensing training provided to new recruits. Bankers Life shall make changes consistent with ensuring that its producers comply with Arkansas law. Bankers Life will report its findings and its changes to the

Commissioner. Further, Bankers Life shall take all steps necessary to assure that all materials provided prospective employees and agents, referring to the Bankers Life A.M. Best rating, accurately reflect the A.M. Best rating, financial strength, and parent company of Bankers Life.

8. Within 60 days of the date of this Order, Bankers Life shall review all telephone scripts utilized or proposed for use by each branch office in Arkansas. The Bankers Life home office shall ensure that all scripts are modified to the extent necessary to assure that the caller indicates that Bankers Life is an insurance company, identifies himself or herself as an insurance producer or insurance agent, and explains that the purpose of the call is to solicit or arrange for a meeting to solicit insurance.

9. Bankers Life shall provide quarterly reports to the Commissioner to ensure that Bankers Life branches, producers, and employees are in compliance with this Order; that all consumer complaints are addressed appropriately by Bankers Life; and that all areas of concern identified by the Department are addressed. Within 30 days of the date of this Order, Bankers Life shall identify the Home Office and regional representatives that will provide such reports.

10. Within 60 days of the date of this Order, Bankers Life shall draft and adopt a suitability form to be completed in connection with the sale of all life insurance policies in Arkansas and a set of standards that producers must follow when selling life insurance. Bankers Life shall ensure that its Home Office reviews and approves the applicable suitability form before issuing a life insurance policy. Bankers Life shall file the suitability form with the Commissioner.